



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

October 10, 2014

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: MDU Resources Group, Inc.
Form 3115 (Retirements)

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. has elected a change in accounting method relating to repair and maintenance expenditures for tax purposes. Montana-Dakota is required to provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application within thirty (30) calendar days of filing the federal income tax return for the year of change. Montana-Dakota therefore provides copies of Form 3115, Application of Change in Accounting Method, for the year ending December 31, 2013 for your reference in accordance with §6.30 of Rev. Proc. 2011-14.

With this change in accounting method, Montana-Dakota will continue to depreciate each asset at issue while the repair and maintenance expenditures will be treated by Montana-Dakota as currently deductible under §263(a) and the underlying Internal Revenue Code regulations. Attachment A contains Form 3115 relating to gas distribution assets and Attachment B contains Form 3115 relating to steam and electric power generation assets filed on behalf of Montana-Dakota by MDU Resources Group, Inc.

If you have any questions, please contact me at (701) 222-7856.

Sincerely,

Tamie A. Aberle
Director of Regulatory Affairs

Attachment

Attachment A

Attachment A

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions) MDU Resources Group, Inc.		Identification number (see instructions) 41-0423660	
Number, street, and room or suite no. If a P.O. box, see the instructions. P.O. Box 5650		Principal business activity code number (see instructions) 221100	
City or town, state, and ZIP code Bismarck, ND 58506		Tax year of change begins (MM/DD/YYYY) 01/01/2013 Tax year of change ends (MM/DD/YYYY) 12/31/2013	
Name of applicant(s) (if different than filer) and identification number(s) (see instructions) See statements		Name of contact person (see instructions) Alvin Felst	
		Contact person's telephone number (701) 530-1022	

If the applicant is a member of a consolidated group, check this box ☒
If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box ☐

Check the box to indicate the type of applicant. <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter Code section ►		Check the appropriate box to indicate the type of accounting method change being requested. (see instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ► Dispositions of tangible depreciable assets	
<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> Insurance co. (Sec. 816(a)) <input type="checkbox"/> Insurance co. (Sec. 831) <input type="checkbox"/> Other (specify) ►			

Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

	Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ► (a) Change No. 178 (b) Other <input type="checkbox"/> Description ►		
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.		✓


Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

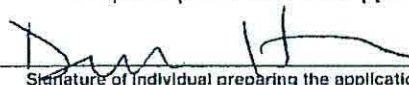
Part II Information For All Requests

	Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		✓
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.		✓
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		N/A

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Signature and date
Nathan Ring VP, Controller, & CAO
Name and title (print or type)

Preparer (other than filer/applicant)

Signature of individual preparing the application and date
Dawn M. Hespenheide
Name of individual preparing the application (print or type)
Ernst & Young LLP
Name of firm preparing the application

Part II Information For All Requests (continued)		Yes	No
4c	Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		N/A
d	Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		N/A
e	Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____		N/A
f	If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ <u>N/A</u> Telephone number ▶ <u>N/A</u> Tax year(s) ▶ <u>N/A</u>		
g	Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		N/A
5a	Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? See statements If "Yes," enter the name of the (check the box) <input checked="" type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ <u>Roxanne Sharp-Rodjius</u> Telephone number ▶ <u>312-582-6871</u> Tax year(s) ▶ <u>2007-09</u>	✓	
b	Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a? See statements	✓	
c	Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? See statements If "Yes," attach an explanation.		✓
6	If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court. See statements		
7	If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.		N/A
8a	Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b	If "Yes," attach an explanation.		
9a	Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b	If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. See statements		
c	If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. N/A		
10a	Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b	If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). See statements		
11	Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form.		✓
Present method:	<input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method:	<input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)					Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: See <u>statements</u>						
a	The item(s) being changed.						
b	The applicant's present method for the item(s) being changed.						
c	The applicant's proposed method for the item(s) being changed.						
d	The applicant's present overall method of accounting (cash, accrual, or hybrid).						
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. See <u>statements</u>						
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. See <u>statements</u>						✓
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?						✓
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.						
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? See <u>statements</u>					✓	
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.						
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.	
	\$	N/A	\$	N/A	\$	N/A	

Part III Information For Advance Consent Request N/A					Yes	No	
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.						
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.						
20	Attach a copy of all documents related to the proposed change (see instructions).						
21	Attach a statement of the applicant's reasons for the proposed change.						
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.						
23a	Enter the amount of user fee attached to this application (see instructions). ► \$						
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).						

Part IV Section 481(a) Adjustment					Yes	No	
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.						✓
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► <u>\$See statements</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. See <u>Statements</u>						

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?		N/A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) N/A**Part I Change in Overall Method** (see instructions) N/A

- 1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.
- | | Amount |
|---|--------|
| a Income accrued but not received (such as accounts receivable) | \$ |
| b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method | |
| c Expenses accrued but not paid (such as accounts payable) | |
| d Prepaid expenses previously deducted | |
| e Supplies on hand previously deducted and/or not previously reported | |
| f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II | |
| g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ► | |
| h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (–) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25. | \$ |
- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? ☐ Yes ☐ No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)–(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)–(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventorable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information** N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) N/A

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? ☐ Yes ☐ No
- b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ Yes ☐ No
If line 2b is "No," attach an explanation.
- c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? ☐ Yes ☐ No
- d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? ☐ Yes ☐ No
If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor.
If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use.
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? ☐ Yes ☐ No
- b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
- 4 To determine a contract's completion factor using the percentage-of-completion method:
- a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ Yes ☐ No
- b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? ☐ Yes ☐ No
- 5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
- 2 Attach a description of the inventory goods (if any) NOT being changed.
- 3a Is the applicant subject to section 263A? If "No," go to line 4a ☐ Yes ☐ No
- b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? ☐ Yes ☐ No
If "No," attach a detailed explanation.
- 4a Check the appropriate boxes below.
- | | Inventory Being Changed | | Inventory Not Being Changed |
|------------------------------------|-------------------------|-----------------|-----------------------------|
| | Present method | Proposed method | Present method |
| Identification methods: | | | |
| Specific identification | | | |
| FIFO | | | |
| LIFO | | | |
| Other (attach explanation) | | | |
| Valuation methods: | | | |
| Cost | | | |
| Cost or market, whichever is lower | | | |
| Retail cost | | | |
| Retail, lower of cost or market | | | |
| Other (attach explanation) | | | |
- b Enter the value at the end of the tax year preceding the year of change
- 5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
- b **Only for applicants requesting advance consent.** A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- c **Only for applicants requesting an automatic change.** The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods N/A

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated N/A

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued) N/A**Section C—Other Costs Not Required To Be Allocated** (Complete Section C only if the applicant is requesting to change its method for these costs.) N/A

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included in Section B, line 26		
3 Bidding expenses not included in Section B, line 22		
4 General and administrative costs not included in Section B		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11 Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions) N/A

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants **must** provide this information for each item or class of property for which a change is requested.

Note. See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. **Do not** file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? ☐ Yes ☐ No
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? ☐ Yes ☐ No
If "Yes," enter the applicable section ► _____
- 3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)? ☐ Yes ☐ No
If "Yes," state the election made ► _____
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? . . . ☐ Yes ☐ No
- c Is the property public utility property? ☐ Yes ☐ No
- 5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
 - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c The facts to support the asset class for the proposed method.
 - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e The useful life, recovery period, or amortization period of the property.
 - f The applicable convention of the property.
 - g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Page 1, Name of applicants

MDU Resources Group, Inc. (FEIN: 41-0423660) is the parent of an affiliated group of corporations that file a consolidated tax return. MDU Resources Group, Inc. is filing on behalf of the following applicants (hereinafter collectively referred to as the "Taxpayer"):

Applicants	FEIN	Principal Business Activity Code
MDU Resources Group, Inc.	41-0423660	221100
Cascade Natural Gas Corporation	91-0599090	221100
Intermountain Gas Company	82-0221463	221100

Request for Faxed Documents

In accordance with the procedures set forth in section 9.04(3) of Rev. Proc. 2014-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Alvin J. Feist (701) 530-1733

Page 2, Part II, Lines 5a-c

The Taxpayer's returns for 1/1/2007-12/31/2007, 1/1/2008-12/31/2008 and 1/1/2009-12/31/2009 are under consideration by an IRS appeals office. To the best of the Taxpayer's knowledge, the same method of accounting is not an issue under consideration by an appeals office.

Page 2, Part II, Line 6

Parent Corporation

Name: MDU Resources Group, Inc.
EIN: 41-0423660
Address: P.O. Box 5650
Bismarck, ND 58506
Tax Years before Appeals: 1/1/2007-12/31/2007, 1/1/2008-12/31/2008 and
1/1/2009-12/31/2009

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Page 2, Part II, Line 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change):

12/31/2011 – Repairs Deduction for Electric Transmission & Distribution (automatic change request): MDU Resources Group, Inc. (41-0423660) filed a change in method of accounting under the automatic consent procedures of Rev. Proc. 2011-14, for incidental repair and maintenance costs properly deductible under §162 that are currently capitalized associated with its electric transmission and distribution assets. The change was filed for tax year ended December 31, 2011 under the automatic change provisions of Rev. Proc. 2011-14 and the safe harbor method described in Rev. Proc. 2011-43.

12/31/2011 – Correction of Depreciation (automatic change request): MDU Resources Group, Inc. (41-0423660), Futuresource Capital Corp. (45-0461988), Knife River Corporation (41-0648176), and Knife River Corporation NW (93-0504596) filed a Form 3115 to change from an impermissible to a permissible method for depreciation. This change was made for tax year ended December 31, 2011 under the automatic consent procedures set forth in Rev. Proc. 2011-14.

12/31/2011 – Change of Method for Deduction of Bonus Accruals (automatic change request): MDU Resources Group, Inc. (41-0423660) and all includible subsidiaries listed below filed a Form 3115 to change the method of accounting for deduction of bonus accruals. This change was made for the tax year ended December 31, 2011 under the automatic consent procedures set forth in Rev. Proc. 2011-14.

Name	FEIN
AMES SAND & GRAVEL, INC.	20-4808509
ANCHORAGE SAND AND GRAVEL COMPANY, INC.	92-0147720
BALDWIN CONTRACTING COMPANY, INC.	94-1059525
BELL ELECTRICAL CONTRACTORS, INC.	43-1019158
BITTER CREEK PIPELINES, LLC	84-1448954
BOMBARD ELECTRIC, LLC	56-2515736
CAPITAL ELECTRIC CONSTRUCTION COMPANY, INC.	91-2094074
CAPITAL ELECTRIC LINE BUILDERS, INC	48-0771042
CASCADE NATURAL GAS CORPORATION	91-0599090
CONCRETE, INC.	68-0094115
CONNOLLY-PACIFIC CO.	46-0349158
DESERT FIRE HOLDINGS, INC.	75-3078235
DSS COMPANY	94-2409660
E.S.I., INC.	34-1002467
FAIRBANKS MATERIALS, INC.	37-1563056
FIDELITY EXPLORATION & PRODUCTION COMPANY	45-0454907

Automatic Method Change for disposition of tangible depreciable assets filed under Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17

GRANITE CITY READY MIX, INC.	41-0830228
HAMLIN ELECTRIC COMPANY	84-1168370
INTERMOUNTAIN GAS COMPANY	82-0221463
INTERNATIONAL LINE BUILDERS, INC.	91-1834347
JEBRO INCORPORATED	46-0314781
JTL GROUP, INC. – MONTANA	81-0465363
JTL GROUP, INC. – WYOMING	83-0293465
KENT'S OIL SERVICE	68-0195867
KNIFE RIVER CORPORATION	41-0648176
KNIFE RIVER CORPORATION – NORTH CENTRAL	41-0906808
KNIFE RIVER CORPORATION – NORTHWEST	93-0504596
KNIFE RIVER CORPORATION – SOUTH	74-2656761
KNIFE RIVER DAKOTA, INC.	91-1814196
KNIFE RIVER HAWAII, INC.	45-0441980
KRC HOLDINGS, INC.	45-0433355
LONE MOUNTAIN EXCAVATIONS & UTILITIES, LLC	20-5762802
LOY CLARK PIPELINE CO.	93-0521313
LTM, INCORPORATED	93-0600666
MDU CONSTRUCTION SERVICES GROUP, INC.	91-1833022
MDU RESOURCES GROUP, INC.	41-0423660
NORTHSTAR MATERIALS, INC.	41-0942144
OREGON ELECTRIC CONSTRUCTION, INC.	93-0473216
PRAIRIELANDS ENERGY MARKETING, INC.	45-0413339
ROCKY MOUNTAIN CONTRACTORS, INC.	81-0297445
USI INDUSTRIAL SERVICES, INC.	04-3816391
WAGNER-SMITH EQUIPMENT CO.	31-1686022
WHC, LTD.	99-0176422
WILLISTON BASIN INTERSTATE PIPELINE COMPANY	45-0372309

12/31/2012 – Change of Method for Deduction of Research and Experimental Expenditures (automatic change request): MDU Resources Group, Inc. (41-0423660) filed a change in method of accounting for section 174 research and experimental expenditures. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

12/31/2013 – Change of Method for Late General Asset Account Election (automatic change request): MDU Resources Group, Inc. (EIN 41-0423660) and all subsidiaries filed a concurrent change in method of accounting to make a late election to place certain property into general asset accounts. The change was filed under the automatic change provision of Rev. Proc. 2011-14.

Name	FEIN
ALASKA BASIC INDUSTRIES, INC.	92-0147718

Automatic Method Change for disposition of tangible depreciable assets filed under Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17

AMES SAND & GRAVEL, INC.	20-4808509
ANCHORAGE SAND AND GRAVEL COMPANY, INC.	92-0147720
BALDWIN CONTRACTING COMPANY, INC.	94-1059525
CASCADE NATURAL GAS CORPORATION	91-0599090
CGC RESOURCES, INC.	91-1599314
CONCRETE, INC.	68-0094115
CONNOLLY-PACIFIC CO.	46-0349158
DSS COMPANY	94-2409660
GRANITE CITY READY MIX, INC.	41-0830228
INTERMOUNTAIN GAS COMPANY	82-0221463
JEBRO INCORPORATED	46-0314781
JTL GROUP, INC. – MONTANA	81-0465363
JTL GROUP, INC. – WYOMING	83-0293465
KENT'S OIL SERVICE	68-0195867
KNIFE RIVER CORPORATION	41-0648176
KNIFE RIVER CORPORATION – NORTH CENTRAL	41-0906808
KNIFE RIVER CORPORATION – NORTHWEST	93-0504596
KNIFE RIVER CORPORATION – SOUTH	74-2656761
KNIFE RIVER DAKOTA, INC.	91-1814196
KNIFE RIVER HAWAII, INC.	45-0441980
KNIFE RIVER MARINE, INC.	45-0442558
KRC HOLDINGS, INC.	45-0433355
LTM, INCORPORATED	93-0600666
MDU RESOURCES GROUP, INC.	41-0423660
NEVADA SOLAR SOLUTIONS, LLC	80-0639337
NORTHSTAR MATERIALS, INC.	41-0942144
WBI ENERGY MIDSTREAM, LLC	84-1448954
WBI ENERGY TRANSMISSION, LLC	45-0372309
WHC, LTD.	99-0176422

12/31/2013 – Change in Method for Determination of Units of Property for Retirements of Electric and Steam Generation Assets (automatic change request): MDU Resources Group, Inc. (41-023660) filed a concurrent change in method of accounting to change the determination of units of property for retirements of steam and electric generation assets. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

12/31/2013 – Repairs Deduction for Steam and Electric Power Generation Assets (automatic change request): MDU Resources Group, Inc. (41-023660) filed a concurrent change in method of accounting for incidental repair and maintenance costs properly deductible under §162, and the regulations thereunder, that are currently capitalized associated with steam and electric power generation assets. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

12/31/2013 – Repairs Deduction for Gas Transmission and Distribution Assets (automatic change request): MDU Resources Group, Inc. (41-023660), Cascade Natural Gas Corporation (91-0599090) and Intermountain Gas Company (82-0221463) filed a concurrent change in method of accounting for incidental repair and maintenance costs property deductible under §162, and the regulations thereunder, that are currently capitalized associated with gas transmission and distribution assets. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is changing its method of accounting for the disposition of tangible depreciable assets (other than a building or its structural components), pursuant to Appendix § 6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17. Specifically, the Taxpayer is changing its method of accounting pertaining to the disposition of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in Prop. Reg. § 1.168(i)-8(d)(1), consistent with Treas. Reg. § 1.168(i)-8(d)(1), applies. Assets subject to this change are linear gas transmission and distribution property, including assets within asset class 46.0 Pipeline Transportation and asset class 49.21 Gas Utility Distribution Facilities.

Specifically, the Taxpayer is changing to a method of accounting to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), consistent with Treas. Reg. § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), for purposes of applying Prop. Reg. § 1.168(i)-8(c)(4), consistent with Treas. Reg. § 1.168(i)-8(c)(4), (determination of asset disposed of). Therefore, the Taxpayer is filing this to restore and depreciate the basis of previously deducted partial dispositions of tangible property (other than a building or its structural components) where a repair and/or maintenance expenditure deduction will be taken under a concurrently filed accounting method change to deduct repair and maintenance expenditures incurred during and prior to tax year end 12/31/2012 under Rev. Proc. 2014-16.

In addition, the Taxpayer is changing its method of accounting of identifying which assets have been disposed of for section 1245 property, depreciable land improvements, or improvements or additions thereto accounted for in multiple asset accounts.

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting, the basis of each "asset" subject to the proposed change was deducted as a result of a partial disposition of tangible property (other than a building or its structural components) in the tax year of disposition. The

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Taxpayer determines the “asset” disposed of based on retirement units that were historically defined and required by the Federal Energy Regulatory Commission (“FERC”). Specifically, partial dispositions are deducted for financial statement and tax purposes when retirement units are replaced. The Taxpayer does not currently depreciate the amounts at issue under section 168 because these amounts were written off in prior tax years. However, prior to the write-off, the amounts at issue were depreciated under the MACRS pursuant to Section 168.

To the extent that the Taxpayer accounts for multiple assets of section 1245 property, depreciable land improvements, or improvements or additions thereto in a single account (i.e., a “multiple asset account” or a “pool”), the Taxpayer identifies which asset is disposed of by specific identification. The taxpayer determines the particular taxable year in which the asset disposed of was placed in service and determines the basis disposed of as the average cost of the specific account identified for the particular taxable year and asset location of the retirement unit.

c) The applicant’s proposed method for the item being changed:

Under the Taxpayer’s proposed method of accounting, the Taxpayer will define the “asset” for partial dispositions of tangible property (other than a building or its structural components) consistent with Prop. Reg. section 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), consistent with Treas. Reg. section 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), as applicable. The Taxpayer will determine the appropriate asset disposed of taking into account the facts and circumstances of each disposition. The asset will not consist of items placed in service by the taxpayer on different dates. Specifically, the Taxpayer will treat each of the following as a separate asset: 1) each item properly classified in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or in one of the categories under section 168(e)(3) provided each item is not larger than the unit of property as determined under §1.263(a)-3T(e)(3) or (e)(5); and 2) each improvement or addition to an asset that is not larger than the unit of property and was placed in service after the asset was placed in service. Specifically, under the proposed method of accounting, the Taxpayer will continue to depreciate under §168 each asset at issue in cases where the repair and maintenance expenditures are treated by the Taxpayer as currently deductible under Section 263(a) and the underlying regulations.

Under the Taxpayer’s proposed method of accounting, the Taxpayer will continue to account for section 1245 property, the depreciable land improvement, or the improvement or addition thereto in a single account (a “multiple asset account” or a “pool”) in accordance with Prop. Reg. § 1.168(i)-7, consistent with Treas. Reg. § 1.168(i)-7.

In addition, the Taxpayer will continue to use the specific identification method of accounting to identify which asset is disposed of by the taxpayer under Prop. Reg. § 1.168(i)-8(g)(1), consistent with Treas. Reg. § 1.168(i)-8(g)(1), to the extent that the Taxpayer accounts for multiple assets of section 1245 property, depreciable land

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

improvements, or improvements or additions thereto in a single account (i.e., a “multiple asset account” or a “pool”). Under this method of accounting, the taxpayer will continue to determine the particular taxable year in which the asset disposed of was placed in service by the taxpayer. The taxpayer will determine basis disposed of as the average cost of the specific account identified for the particular taxable year and asset location of the appropriate asset disposed of.

d) The applicant’s present overall method of accounting:

The Taxpayer’s overall method of accounting is an accrual method.

Page 3, Part II, Line 13

The Applicant is an electric utility engaged in the production, transmission, distribution, and sale of electric and natural gas energy to customers. The principal business activity code for the Taxpayer is 221100. Each Applicant has only one trade or business as defined in Treas. Reg. §1.446-1(d).

Page 3, Part II, Line 14

The proposed method will not be used for the Taxpayer’s books and records and financial statements. The Taxpayer’s proposed method of accounting for tax purposes may or may not be in conformance with generally accepted accounting principles (GAAP). However, the proposed method clearly reflects income for Federal income tax purposes.

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Page 3, Part II, Line 16

If it is tentatively determined that the Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2013-24, 2014-16, and 2014-17 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-16, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-16), the privilege of a conference is hereby requested. To arrange the time and place of such a conference please contact the Taxpayer's representative:

Alvin J. Feist
(701) 530-1022
(701) 530-1733 (fax)

MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Page 3, Part IV, Line 25

MDU Resources Group, Inc. (41-0423660):

Loss previously recognized under present method	\$ 254,853
Accumulated depreciation deducted under proposed method	<u>\$ 87,303</u>
Difference (positive §481(a) adjustment)	\$ 167,550

Cascade Natural Gas Corporation (91-0599090):

Loss previously recognized under present method	\$ 27,936
Accumulated depreciation deducted under proposed method	<u>\$ 5,580</u>
Difference (positive §481(a) adjustment)	\$ 22,356

Intermountain Gas Company (82-0221463):

Loss previously recognized under present method	\$ 41,207
Accumulated depreciation deducted under proposed method	<u>\$ 5,318</u>
Difference (positive §481(a) adjustment)	\$ 35,889

The total §481(a) adjustment for the above entities is a positive (unfavorable) \$225,795.

The section 481(a) adjustment has been calculated as the difference between the amount of gain/loss that was previously claimed by the Taxpayer under the its present method of accounting and the amount of depreciation that would have been deductible under its proposed method of accounting during the taxable years prior to the taxable year of change, assuring that there are no omissions or duplications of income or expense. This amount will be recognized ratably over four years, beginning in the year of change.

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Other requirements

- (1) A description of the assets to which the change applies:

This change applies to the Taxpayer's linear gas transmission and distribution property, including assets within asset class 46.0 Pipeline Transportation and asset class 49.21 Gas Utility Distribution Facilities.

- (2) A description of the assets disposed of under the Taxpayer's present and proposed methods of accounting:

The assets disposed of for purposes of section 168 of under the Taxpayer's present method of accounting include property components replaced in the context of repair and maintenance activities that are treated by the Taxpayer as currently deductible under section 263(a), consistent with the Taxpayer's concurrently filed method change to currently deduct previously capitalized repair and maintenance expenditures.

Under the proposed accounting method, the Taxpayer will not deduct assets that are disposed in the context of deductible repair and maintenance activities. Examples of such "assets" under the proposed method of accounting include linear gas transmission and distribution components that do not constitute a major component of a unit of property under Section 263(a), nor a significant portion thereof (i.e., linear gas transmission and distribution components, the removal of which do not constitute an improvement under section 263(a)). The Taxpayer defines its units of property in this context in accordance with Treas. Reg. §1.263(a)-3(i). Similarly, additional examples of "assets" under the proposed accounting method include linear gas transmission and distribution components that do not constitute a major component, nor a significant portion thereof, under section 263(a).

- (3) The Taxpayer agrees to the following additional terms and conditions:

- a) A normalization method of accounting (within the meaning of former section 167 (l) (3) (G), former section 168 (e) (3) (B), or section 168 (i) (9), as applicable) will be used for the public utility property subject to the application;
- b) As of the beginning of the year of change, the Taxpayer will adjust its deferred tax reserve account or similar reserve account in the Taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the section 481(a) adjustment applicable to the public utility property subject to the application; and
- c) Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

Attachment B

Form **3115**(Rev. December 2009)
Department of the Treasury
Internal Revenue Service**Application for Change in Accounting Method**

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions)

MDU Resources Group, Inc.

Identification number (see instructions)

41-0423660

Principal business activity code number (see instructions)

221100

Number, street, and room or suite no. If a P.O. box, see the instructions.

P.O. Box 5650

Tax year of change begins (MM/DD/YYYY)

01/01/2013

Tax year of change ends (MM/DD/YYYY)

12/31/2013

City or town, state, and ZIP code

Bismarck, ND 58506

Name of contact person (see instructions)

Alvin Feist

Name of applicant(s) (if different than filer) and identification number(s) (see instructions)

See statements

Contact person's telephone number

(701) 530-1022

If the applicant is a member of a consolidated group, check this box ☒If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box ☐

Check the box to indicate the type of applicant.

☐ Individual☒ Corporation☐ Controlled foreign corporation
(Sec. 957)☐ 10/50 corporation (Sec. 904(d)(2)(E))☐ Qualified personal service
corporation (Sec. 448(d)(2))☐ Exempt organization. Enter Code section ▶☐ Cooperative (Sec. 1381)☐ Partnership☐ S corporation☐ Insurance co. (Sec. 816(a))☐ Insurance co. (Sec. 831)☐ Other (specify) ▶Check the appropriate box to indicate the type
of accounting method change being requested.
(see instructions)☐ Depreciation or Amortization☐ Financial Products and/or Financial Activities of
Financial Institutions☒ Other (specify) ▶ Dispositions of tangible
depreciable assets**Caution.** To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

- 1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions.

▶ (a) Change No. 178 (b) Other ☐ Description ▶

- 2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.

Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).**Part II Information For All Requests**

- 3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)?
- If "Yes," the applicant is not eligible to make the change under automatic change request procedures.

- 4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)?
- If "No," go to line 5.

- b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

Signature and date

Signature of individual preparing the application and date

Nathan Ring VP, Controller & CAO

Dawn M. Hespenheide

Name and title (print or type)

Name of individual preparing the application (print or type)

Ernst & Young LLP

Name of firm preparing the application

Part II Information For All Requests (continued)

	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?	N/A	
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.	N/A	
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____	N/A	
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ <u>N/A</u> Telephone number ▶ <u>N/A</u> Tax year(s) ▶ <u>N/A</u>		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?	N/A	
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? See statements If "Yes," enter the name of the (check the box) <input checked="" type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ <u>Roxanne Sharp-Rodjius</u> Telephone number ▶ <u>312-582-6871</u> Tax year(s) ▶ <u>2007-09</u>	✓	
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a? See statements	✓	
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? See statements If "Yes," attach an explanation.		✓
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court. See statements		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N/A	
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation.		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. See statements		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. N/A		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). See statements		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form.		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)				Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: See <u>statements</u>					
a	The item(s) being changed.					
b	The applicant's present method for the item(s) being changed.					
c	The applicant's proposed method for the item(s) being changed.					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid).					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. See <u>statements</u>					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. See <u>statements</u>					✓
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?					✓
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? See <u>statements</u>				✓	
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.					
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.
	\$	N/A	\$	N/A	\$	N/A

Part III Information For Advance Consent Request N/A				Yes	No	
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.					
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.					
20	Attach a copy of all documents related to the proposed change (see instructions).					
21	Attach a statement of the applicant's reasons for the proposed change.					
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.					
23a	Enter the amount of user fee attached to this application (see instructions). ► \$					
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).					

Part IV Section 481(a) Adjustment				Yes	No	
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.					✓
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► \$ See <u>statements</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. See <u>Statements</u>					

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?		N/A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties?		✓
If "Yes," attach an explanation.			

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) N/A

Part I Change in Overall Method (see instructions) N/A	
1	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.
	Amount
a	Income accrued but not received (such as accounts receivable) \$
b	Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method
c	Expenses accrued but not paid (such as accounts payable)
d	Prepaid expenses previously deducted
e	Supplies on hand previously deducted and/or not previously reported
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶
h	Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25. \$

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? ☐ Yes ☐ No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- 1 A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- 2 An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- 1 If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - a A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - b If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
 - c If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
- 2 If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - a A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - b A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - c A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - d A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information** N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) N/A

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? ☐ Yes ☐ No
- b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ Yes ☐ No
If line 2b is "No," attach an explanation.
- c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? ☐ Yes ☐ No
- d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? ☐ Yes ☐ No
If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor.
If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use.
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? ☐ Yes ☐ No
- b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
- 4 To determine a contract's completion factor using the percentage-of-completion method:
- a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ Yes ☐ No
- b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? ☐ Yes ☐ No
- 5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
- 2 Attach a description of the inventory goods (if any) NOT being changed.
- 3a Is the applicant subject to section 263A? If "No," go to line 4a ☐ Yes ☐ No
- b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? ☐ Yes ☐ No
If "No," attach a detailed explanation.
- 4a Check the appropriate boxes below.
- | | Inventory Being Changed | | Inventory Not Being Changed |
|------------------------------------|-------------------------|-----------------|-----------------------------|
| | Present method | Proposed method | Present method |
| Identification methods: | | | |
| Specific identification | | | |
| FIFO | | | |
| LIFO | | | |
| Other (attach explanation) | | | |
| Valuation methods: | | | |
| Cost | | | |
| Cost or market, whichever is lower | | | |
| Retail cost | | | |
| Retail, lower of cost or market | | | |
| Other (attach explanation) | | | |
- b Enter the value at the end of the tax year preceding the year of change
- 5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
- b **Only for applicants requesting advance consent.** A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- c **Only for applicants requesting an automatic change.** The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods N/A

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated N/A

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued) N/A**Section C—Other Costs Not Required To Be Allocated** (Complete Section C only if the applicant is requesting to change its method for these costs.) N/A

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included in Section B, line 26		
3 Bidding expenses not included in Section B, line 22		
4 General and administrative costs not included in Section B		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11 Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions) N/A

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants **must** provide this information for each item or class of property for which a change is requested.

Note. See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. **Do not** file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? ☐ Yes ☐ No
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? ☐ Yes ☐ No
If "Yes," enter the applicable section ► _____
- 3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)? ☐ Yes ☐ No
If "Yes," state the election made ► _____
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? . . ☐ Yes ☐ No
- c Is the property public utility property? ☐ Yes ☐ No
- 5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
 - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c The facts to support the asset class for the proposed method.
 - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e The useful life, recovery period, or amortization period of the property.
 - f The applicable convention of the property.
 - g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Page 1, Name of applicants

MDU Resources Group, Inc. (FEIN: 41-0423660), the parent of an affiliated group of corporations that file a consolidated tax return, is requesting to file this change of accounting method. Unless otherwise specified, a reference to the "Taxpayer" in this document refers to MDU Resources Group, Inc.

Applicants	FEIN	Principal Business Activity Code
MDU Resources Group, Inc.	41-0423660	221100

Request for Faxed Documents

In accordance with the procedures set forth in section 9.04(3) of Rev. Proc. 2014-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Alvin J. Feist (701) 530-1733

Page 2, Part II, Lines 5a-c

The Taxpayer's returns for 1/1/2007-12/31/2007, 1/1/2008-12/31/2008 and 1/1/2009-12/31/2009 are under consideration by an IRS appeals office. To the best of the Taxpayer's knowledge, the same method of accounting is not an issue under consideration by an appeals office.

Page 2, Part II, Line 6

Parent Corporation

Name: MDU Resources Group, Inc.
EIN: 41-0423660
Address: P.O. Box 5650
Bismarck, ND 58506
Tax Years before Appeals: 1/1/2007-12/31/2007, 1/1/2008-12/31/2008 and
1/1/2009-12/31/2009

Page 2, Part II, Line 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change):

Automatic Method Change for disposition of tangible depreciable assets filed under Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17

12/31/2011 – Repairs Deduction for Electric Transmission & Distribution (automatic change request): MDU Resources Group, Inc. (41-0423660) filed a change in method of accounting under the automatic consent procedures of Rev. Proc. 2011-14, for incidental repair and maintenance costs properly deductible under §162 that are currently capitalized associated with its electric transmission and distribution assets. The change was filed for tax year ended December 31, 2011 under the automatic change provisions of Rev. Proc. 2011-14 and the safe harbor method described in Rev. Proc. 2011-43.

12/31/2011 – Correction of Depreciation (automatic change request): MDU Resources Group, Inc. (41-0423660), Futuresource Capital Corp. (45-0461988), Knife River Corporation (41-0648176), and Knife River Corporation NW (93-0504596) filed a Form 3115 to change from an impermissible to a permissible method for depreciation. This change was made for tax year ended December 31, 2011 under the automatic consent procedures set forth in Rev. Proc. 2011-14.

12/31/2011 – Change of Method for Deduction of Bonus Accruals (automatic change request): MDU Resources Group, Inc. (41-0423660) and all includible subsidiaries listed below filed a Form 3115 to change the method of accounting for deduction of bonus accruals. This change was made for the tax year ended December 31, 2011 under the automatic consent procedures set forth in Rev. Proc. 2011-14.

Name	FEIN
AMES SAND & GRAVEL, INC.	20-4808509
ANCHORAGE SAND AND GRAVEL COMPANY, INC.	92-0147720
BALDWIN CONTRACTING COMPANY, INC.	94-1059525
BELL ELECTRICAL CONTRACTORS, INC.	43-1019158
BITTER CREEK PIPELINES, LLC	84-1448954
BOMBARD ELECTRIC, LLC	56-2515736
CAPITAL ELECTRIC CONSTRUCTION COMPANY, INC.	91-2094074
CAPITAL ELECTRIC LINE BUILDERS, INC	48-0771042
CASCADE NATURAL GAS CORPORATION	91-0599090
CONCRETE, INC.	68-0094115
CONNOLLY-PACIFIC CO.	46-0349158
DESERT FIRE HOLDINGS, INC.	75-3078235
DSS COMPANY	94-2409660
E.S.I., INC.	34-1002467
FAIRBANKS MATERIALS, INC.	37-1563056
FIDELITY EXPLORATION & PRODUCTION COMPANY	45-0454907
GRANITE CITY READY MIX, INC.	41-0830228
HAMLIN ELECTRIC COMPANY	84-1168370
INTERMOUNTAIN GAS COMPANY	82-0221463
INTERNATIONAL LINE BUILDERS, INC.	91-1834347

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JEBRO INCORPORATED	46-0314781
JTL GROUP, INC. – MONTANA	81-0465363
JTL GROUP, INC. – WYOMING	83-0293465
KENT'S OIL SERVICE	68-0195867
KNIFE RIVER CORPORATION	41-0648176
KNIFE RIVER CORPORATION – NORTH CENTRAL	41-0906808
KNIFE RIVER CORPORATION – NORTHWEST	93-0504596
KNIFE RIVER CORPORATION – SOUTH	74-2656761
KNIFE RIVER DAKOTA, INC.	91-1814196
KNIFE RIVER HAWAII, INC.	45-0441980
KRC HOLDINGS, INC.	45-0433355
LONE MOUNTAIN EXCAVATIONS & UTILITIES, LLC	20-5762802
LOY CLARK PIPELINE CO.	93-0521313
LTM, INCORPORATED	93-0600666
MDU CONSTRUCTION SERVICES GROUP, INC.	91-1833022
MDU RESOURCES GROUP, INC.	41-0423660
NORTHSTAR MATERIALS, INC.	41-0942144
OREGON ELECTRIC CONSTRUCTION, INC.	93-0473216
PRAIRIELANDS ENERGY MARKETING, INC.	45-0413339
ROCKY MOUNTAIN CONTRACTORS, INC.	81-0297445
USI INDUSTRIAL SERVICES, INC.	04-3816391
WAGNER-SMITH EQUIPMENT CO.	31-1686022
WHC, LTD.	99-0176422
WILLISTON BASIN INTERSTATE PIPELINE COMPANY	45-0372309

12/31/2012 – Change of Method for Deduction of Research and Experimental Expenditures (automatic change request): MDU Resources Group, Inc. (41-0423660) filed a change in method of accounting for section 174 research and experimental expenditures. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

12/31/2013 – Change of Method for Late General Asset Account Election (automatic change request): MDU Resources Group, Inc. (EIN 41-0423660) and all subsidiaries filed a concurrent change in method of accounting to make a late election to place certain property into general asset accounts. The change was filed under the automatic change provision of Rev. Proc. 2011-14.

Name	FEIN
ALASKA BASIC INDUSTRIES, INC.	92-0147718
AMES SAND & GRAVEL, INC.	20-4808509
ANCHORAGE SAND AND GRAVEL COMPANY, INC.	92-0147720
BALDWIN CONTRACTING COMPANY, INC.	94-1059525
CASCADE NATURAL GAS CORPORATION	91-0599090

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Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

CGC RESOURCES, INC.	91-1599314
CONCRETE, INC.	68-0094115
CONNOLLY-PACIFIC CO.	46-0349158
DSS COMPANY	94-2409660
GRANITE CITY READY MIX, INC.	41-0830228
INTERMOUNTAIN GAS COMPANY	82-0221463
JEBRO INCORPORATED	46-0314781
JTL GROUP, INC. – MONTANA	81-0465363
JTL GROUP, INC. – WYOMING	83-0293465
KENT'S OIL SERVICE	68-0195867
KNIFE RIVER CORPORATION	41-0648176
KNIFE RIVER CORPORATION – NORTH CENTRAL	41-0906808
KNIFE RIVER CORPORATION – NORTHWEST	93-0504596
KNIFE RIVER CORPORATION – SOUTH	74-2656761
KNIFE RIVER DAKOTA, INC.	91-1814196
KNIFE RIVER HAWAII, INC.	45-0441980
KNIFE RIVER MARINE, INC.	45-0442558
KRC HOLDINGS, INC.	45-0433355
LTM, INCORPORATED	93-0600666
MDU RESOURCES GROUP, INC.	41-0423660
NEVADA SOLAR SOLUTIONS, LLC	80-0639337
NORTHSTAR MATERIALS, INC.	41-0942144
WBI ENERGY MIDSTREAM, LLC	84-1448954
WBI ENERGY TRANSMISSION, LLC	45-0372309
WHC, LTD.	99-0176422

12/31/2013 – Repairs Deduction for Steam and Electric Power Generation Assets (automatic change request): MDU Resources Group, Inc. (41-023660) filed a concurrent change in method of accounting for incidental repair and maintenance costs properly deductible under §162, and the regulations thereunder, that are currently capitalized associated with steam and electric power generation assets. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

12/31/2013 – Repairs Deduction for Gas Transmission and Distribution Assets (automatic change request): MDU Resources Group, Inc. (41-023660), Cascade Natural Gas Corporation (91-0599090) and Intermountain Gas Company (82-0221463) filed a concurrent change in method of accounting for incidental repair and maintenance costs property deductible under §162, and the regulations thereunder, that are currently capitalized associated with gas transmission and distribution assets. The change was filed under the automatic change provisions of Rev. Proc. 2011-14.

12/31/2013 – Change in Method for Determination of Units of Property for Retirements of Gas Transmission and Distribution Assets (automatic change request): MDU

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

Resources Group, Inc. 41-023660), Cascade Natural Gas Corporation (91-0599090) and Intermountain Gas Company (82-0221463) filed a concurrent change in method of accounting to change the determination of units of property for retirements of gas transmission and distribution assets. The change was filed under the automatic change provision of Rev. Proc. 2011-14.

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a) The item being changed:

The Taxpayer is changing its method of accounting for the disposition of tangible depreciable assets (other than a building or its structural components), pursuant to Appendix § 6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17. Specifically, the Taxpayer is changing its method of accounting pertaining to the disposition of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in Prop. Reg. § 1.168(i)-8(d)(1), consistent with Treas. Reg. § 1.168(i)-8(d)(1), applies. Assets subject to this change are steam and electric power generation property, including assets within asset class 49.13, Electric Utility Steam Production Plant and asset class 49.15, Electric Utility Combustion Turbine Production Plant.

Specifically, the Taxpayer is changing to a method of accounting to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), consistent with Treas. Reg. § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), for purposes of applying Prop. Reg. § 1.168(i)-8(c)(4), consistent with Treas. Reg. § 1.168(i)-8(c)(4), (determination of asset disposed of). Therefore, the Taxpayer is filing this to restore and depreciate the basis of previously deducted partial dispositions of tangible property (other than a building or its structural components) where a repair and/or maintenance expenditure deduction will be taken under a concurrently filed accounting method change to deduct repair and maintenance expenditures incurred during and prior to tax year end 12/31/2012 under Rev. Proc. 2014-16.

In addition, the Taxpayer is changing its method of accounting of identifying which assets have been disposed of for section 1245 property, depreciable land improvements, or improvements or additions thereto accounted for in multiple asset accounts.

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting, the basis of each "asset" subject to the proposed change was deducted as a result of a partial disposition of tangible property (other than a building or its structural components) in the tax year of disposition. The Taxpayer determines the "asset" disposed of based on retirement units that were historically defined and required by the Federal Energy Regulatory Commission ("FERC"). Specifically, partial dispositions are deducted for financial statement and tax

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

purposes when retirement units are replaced. The Taxpayer does not currently depreciate the amounts at issue under section 168 because these amounts were written off in prior tax years. However, prior to the write-off, the amounts at issue were depreciated under the MACRS pursuant to Section 168.

To the extent that the Taxpayer accounts for multiple assets of section 1245 property, depreciable land improvements, or improvements or additions thereto in a single account (i.e., a "multiple asset account" or a "pool"), the Taxpayer identifies which asset is disposed of by specific identification. The taxpayer determines the particular taxable year in which the asset disposed of was placed in service and determines the basis disposed of as the average cost of the specific account identified for the particular taxable year and asset location of the retirement unit.

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting, the Taxpayer will define the "asset" for partial dispositions of tangible property (other than a building or its structural components) consistent with Prop. Reg. section 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), consistent with Treas. Reg. section 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), as applicable. The Taxpayer will determine the appropriate asset disposed of taking into account the facts and circumstances of each disposition. The asset will not consist of items placed in service by the taxpayer on different dates. Specifically, the Taxpayer will treat each of the following as a separate asset: 1) each item properly classified in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or in one of the categories under section 168(e)(3) provided each item is not larger than the unit of property as determined under §1.263(a)-3T(e)(3) or (e)(5); and 2) each improvement or addition to an asset that is not larger than the unit of property and was placed in service after the asset was placed in service. Specifically, under the proposed method of accounting, the Taxpayer will continue to depreciate under §168 each asset at issue in cases where the repair and maintenance expenditures are treated by the Taxpayer as currently deductible under Section 263(a) and the underlying regulations.

Under the Taxpayer's proposed method of accounting, the Taxpayer will continue to account for section 1245 property, the depreciable land improvement, or the improvement or addition thereto in a single account (a "multiple asset account" or a "pool") in accordance with Prop. Reg. § 1.168(i)-7 consistent with Treas. Reg. § 1.168(i)-7.

In addition, the Taxpayer will continue to use the specific identification method of accounting to identify which asset is disposed of by the taxpayer under Prop. Reg. § 1.168(i)-8(g)(1), consistent with Treas. Reg. § 1.168(i)-8(g)(1), to the extent that the Taxpayer accounts for multiple assets of section 1245 property, depreciable land improvements, or improvements or additions thereto in a single account (i.e., a "multiple asset account" or a "pool"). Under this method of accounting, the taxpayer will continue to determine the particular taxable year in which the asset disposed of was placed in

**Automatic Method Change for disposition of tangible depreciable assets filed under
Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17**

service by the taxpayer. The taxpayer will determine basis disposed of as the average cost of the specific account identified for the particular taxable year and asset location of the appropriate asset disposed of .

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

The Applicant is an electric utility engaged in the production, transmission, distribution, and sale of electric and natural gas energy to customers. The principal business activity code for the Taxpayer is 221100. The Applicant has only one trade or business as defined in Treas. Reg. §1.446-1(d).

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The proposed method will not be used for the Taxpayer's books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may or may not be in conformance with generally accepted accounting principles (GAAP). However, the proposed method clearly reflects income for Federal income tax purposes.

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If it is tentatively determined that the Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2013-24, 2014-16, and 2014-17 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-16, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-16), the privilege of a conference is hereby requested. To arrange the time and place of such a conference please contact the Taxpayer's representative:

Alvin J. Feist
(701) 530-1022
(701) 530-1733 (fax)

MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506

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Appendix §6.30 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-17

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MDU Resources Group, Inc. (41-0423660):

Loss previously recognized under present method	\$ 513,407
Accumulated depreciation deducted under proposed method	<u>\$ 22,031</u>
Difference (positive §481(a) adjustment)	\$ 491,376

The section 481(a) adjustment has been calculated as the difference between the amount of gain/loss that was previously claimed by the Taxpayer under the its present method of accounting and the amount of depreciation that would have been deductible under its proposed method of accounting during the taxable years prior to the taxable year of change, assuring that there are no omissions or duplications of income or expense. This amount will be recognized ratably over four years, beginning in the year of change.

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Other requirements

- (1) A description of the assets to which the change applies:

This change applies to the Taxpayer's steam and electric power generation property, including assets within asset class 49.13, Electric Utility Steam Production Plant and asset class 49.15, Electric Utility Combustion Turbine Production Plant.

- (2) A description of the assets disposed of under the Taxpayer's present and proposed methods of accounting:

The assets disposed of for purposes of section 168 of under the Taxpayer's present method of accounting include property components replaced in the context of repair and maintenance activities that are treated by the Taxpayer as currently deductible under section 263(a), consistent with the Taxpayer's concurrently filed method change to currently deduct previously capitalized repair and maintenance expenditures.

Under the proposed accounting method, the Taxpayer will not deduct assets that are disposed in the context of deductible repair and maintenance activities. Examples of such "assets" under the proposed method of accounting include electric utility steam production plant components that do not constitute a major component of a unit of property under Section 263(a), nor a significant portion thereof (i.e., plant components, the removal of which do not constitute an improvement under section 263(a)). The Taxpayer defines its units of property in this context, for purposes of section 263(a), consistent with Rev. Proc. 2013-14. Similarly, additional examples of "assets" under the proposed accounting method include electric utility combustion turbine production plant components that do not constitute a major component, nor a significant portion thereof, under section 263(a).

- (3) The Taxpayer agrees to the following additional terms and conditions:

- a) A normalization method of accounting (within the meaning of former section 167 (l) (3) (G), former section 168 (e) (3) (B), or section 168 (i) (9), as applicable) will be used for the public utility property subject to the application;
- b) As of the beginning of the year of change, the Taxpayer will adjust its deferred tax reserve account or similar reserve account in the Taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the section 481(a) adjustment applicable to the public utility property subject to the application; and
- c) Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.